

**REMARKS**

This Amendment responds to the Final Office Action of April 21, 2006.

Claims 1, 3-4, 15-16, 18-19, 22-26, 31, 35-40, 43, 45-49, 51, and 52 remain in this application. Claims 2, 5-14, 17, 20-21, 27-30, 32-34, 41-42, 44, and 50 have been previously canceled.

In the Office Action, the Examiner has rejected claims 1, 3-4, 15-16, 18-19, 22-26, 31, 35-40, 43, 45-49, 51, and 52, under 35 U.S.C. § 103(a) as being unpatentable over Sampson et al. (U.S. Patent No. 5,802,499) in view of the “Wall Street Letter” article, Kirksey (U.S. Patent No. 6,460,021), and Aziz et al. (U.S. Patent No. 6,018,721). The Office Action’s bases for the rejection are addressed below.

**Claim Rejections Under 35 U.S.C. § 103(a)**

The Office Action rejected claims 1, 3-4, 15-16, 18-19, 22-26, 31, 35-40, 43, 45-49, 51, and 52, under 35 U.S.C. § 103(a) as being unpatentable over Sampson et al. (U.S. Patent No. 5,802,499) in view of the “Wall Street Letter” article, Kirksey (U.S. Patent No. 6,460,021), and Aziz et al. (U.S. Patent No. 6,018,721). Applicants respectfully traverse the rejection.

Sampson discloses a computer-based system for managing bilateral credit support agreements between parties engaged in derivatives and other financial markets. (Sampson, col. 2, l. 27-31.) Customers who are users of the system disclosed in Sampson transfer to the system assets which are available for use in providing collateral to

counterparties who have provided credit to the customer. (Sampson, col. 11, l. 11-13.)

The customer's account in the system of Sampson contains identification information, asset information, and various unilateral parameters unique to the preferences of the customer. (*Id.*, col. 11, l. 13-15.) Each customer and its counterparty to a credit support agreement, create a credit support agreement, the terms of which are entered into the system of Sampson. (*Id.*, col. 11, l. 16-27.) "Thereafter, the customers calculate their or their counterparty net positions or credit exposure (i.e., "mark-to-market" values) with respect [to] their counterparties, using their current methods and algorithms." (*Id.*, col. 11, l. 28-31.) Customers then input into the system their credit exposures either individually or in bulk. (*Id.*, col. 11, l. 31-34.) Based on the size of the credit exposure the customer has entered into the system, the collateral previously transferred to the system by the customer and its counterparties, the daily valuation of credit support assets in the system, and the terms of credit support agreements entered into the system, the system calculates whether or not additional assets are required for credit support and informs the customer of any amount of assets that must be provided to a counterparty. (*Id.*, col. 11, l. 41-53.)

Assets that a customer transfers to the system of Sampson are identified by asset type and number. (Sampson, Col. 17, l. 37 – Col. 18, l. 3 & Fig. 4E.) The system permits customers to provide an order in which it wants assets to be used to cover credit exposures, but it does not explicitly or inherently disclose, teach, or suggest the "method for the management of leverage relating to financial transactions" recited in amended

Claim 1, which includes the steps of “identifying a market segment in which the entity holds financial positions” and “quantifying an aggregate net exposure across the identified market segment or segments.”

In response, the Office Action states that Sampson teaches “quantifying net exposures in a given market.” (Office Action at 7 (citing Sampson, Fig. 14A, col. 17, l. 28-62, col. 16, l. 61 – col. 17, l. 63).) Applicants respectfully disagree.

The portions of Sampson that the Office Action cites do not disclose, teach, or suggest quantifying an aggregate net exposure across the identified market segment or segments as recited in Claim 1. Figure 14A is a high level diagram of the processes that the system of Sampson carries out during a credit support processing cycle. In discussing Figure 14A, Sampson describes customers who use the system of Sampson providing the system with their exposure number (i.e., mark-to-market figure) for each credit support agreement. (Sampson, col. 82, l. 1 - col. 83, l. 50.) The system of Sampson thereafter automatically reports to the counterparties the total figure of the assets required to cover the total exposure between the counterparties of the corresponding credit support agreement. (*Id.*) The user of the Sampson system is then presented with different options: 1) issuing one or more asset movement instructions to cover counterparty exposure by asset movement designations; 2) issuing one or more asset movement instructions and then await for the Automated Movement Optimization Process described in Sampson to automatically cover the computed required credit exposures; or 3) simply

await for the Asset Movement Optimization Process to automatically cover the computed required credit exposures. (*Id.*)

The other cited portions of Sampson (col. 17, l. 28-62, col. 16, l. 61 – col. 17, l. 63) also do not disclose, teach, or suggest quantifying an aggregate net exposure across the identified market segment or segments as recited in Claim 1. Those portions of Sampson describe specifying Customer Original Asset Rules for each asset type, that contain information that includes where outside of the system of Sampson, the asset should be default delivered and to specify the approximate valuation of the assets independent of credit support agreements. (*Id.*) They also describe setting customer preferences for the priority of usage of assets to be used to cover counterparty exposure. (*Id.*) There is no disclosure explicit or implicit in these cited portions of Sampson of quantifying an aggregate net exposure across an identified market segment or segments as recited in Claim 1.

The “Wall Street Letter” article reports on a 1998 announcement of the Board of Trade Clearing Corp. (the independent clearing house for transactions made at the Chicago Board of Trade) that it will soon accept stock to satisfy minimum margin requirements. It does not explicitly or inherently disclose, teach, or suggest the “method for the management of leverage relating to financial transactions” recited in amended Claim 1, which includes the steps of “identifying a market segment in which the entity holds financial positions” and “quantifying an aggregate net exposure across the identified market segment or segments.”

The Office Action states that Aziz “teaches a system and method for improved collateral monitoring and control assessing the risk associated with holding securities of a particular type and the risk of holding securities in currencies other than the liability currency.” (Office Action at 7.) But that is not the same as disclosing, teaching, or suggesting quantifying an aggregate net exposure across the identified market segment or segments as recited in Claim 1.

Aziz discloses a system and method for the management and tracking of collateral using a computer system. (Aziz, col. 2, l. 14-16.) The system and method of Aziz “accesses a plurality of databases which are preferably relational databases to allow for the following collateral process actions: validation of an account’s existence within the system; the validation of the securities’ existence within the system; retrieval of all confirmed and unconfirmed account positions effecting available collateral for the account and an account in its collateral group; retrieval of the account’s security, cross-currency haircut and acceptability tables; the validation of the securities’ acceptability by depository class, tenor, and rating in the acceptance table; the retrieval of all threshold and minimum call information for the account; calculation of the optimal haircut application by multiplying the security haircut table by the cross-currency haircut table and sorting the resulting figures and currency security class pairs in descending order; the calculation of the local market value for each position and proposed position; the conversion of the market values to U.S. dollars, retaining an indicator of the local currency; applying security haircuts to the resulting U.S. dollar market values; retrieving

collateral requirements (resulting from liabilities) in the U.S. dollar, grouped by originating currency; matching of like currency collateral to collateral requirements; matching remaining requirements to remaining collateral by finding the highest currency/security class pair in the remainders and working down the optimization list; and applying minimum calls or thresholds and reporting any remaining shortfalls.” (*Id.*, col. 2, l. 16-42.) It does not explicitly or inherently disclose, teach, or suggest the “method for the management of leverage relating to financial transactions” recited in amended Claim 1, which includes the steps of “identifying a market segment in which the entity holds financial positions” and “quantifying an aggregate net exposure across the identified market segment or segments.”

The Office Action states that Kirksey “discloses a system and method for managing debts using cross collateralization and loan agreements,” referencing the “abstract and various examples provided in the system of Kirksey.” (Office Action at 7.) Kirksey et al disclose a method of creating and selling marketable collateral backed debt instruments comprising creating a debt-instrument-issuing-entity which lends mortgage or other lien-backed monies to a group of property owners each owning his or her property in a fee simple or other mortgageable or transferable interest in property against which a lien may be placed. (Kirksey, col. 1, l. 52-57.) The Abstract of Kirksey describes Kirksey as a “method of creating and servicing” a “debt obligation issued to a holder by a group of property owners, each owning an individual property, where the entity obtains from each owner cross-collateralized lien and loan agreements.” (*Id.*,

Abstract.) Kirksey does not explicitly or inherently disclose, teach, or suggest the “method for the management of leverage relating to financial transactions” recited in amended Claim 1, which includes the steps of “identifying a market segment in which the entity holds financial positions” and “quantifying an aggregate net exposure across the identified market segment or segments.”

The Office Action states that it would have been obvious “to incorporate the teachings of Aziz and Kirksey into the combination of Sampson et al and the Wall Street Letter in order to make the system world wide accepted whereby an entity is able to manage his/her risk exposure and at the same time decreasing their risk and/or balancing their accounts.” (Office Action at 8.) As noted above, even in combination, Sampson et al., the Wall Street Letter article, Kirksey, and Aziz et al. do not explicitly or inherently disclose, teach, or suggest the “method for the management of leverage relating to financial transactions” recited in amended Claim 1, which includes the steps of “identifying a market segment in which the entity holds financial positions” and “quantifying an aggregate net exposure across the identified market segment or segments.”

Claim 40 is also patentably distinct from the cited art for similar reasons. None of the references individually or in combination, disclose, teach, or suggest explicitly or implicitly a display screen with the third and fourth areas recited in Claim 40.

With regard to Claims 43 and 45-49, the Office Action states that it would have been obvious “to provide users with a friendly graphical user interface whereby users may

instantly view or input related information.” (August 10 Office Action at 7.) Applicants respectfully submit that this is merely an assertion that Claims 43-49 recite desirable. It does not demonstrate that it was known. Applicants respectfully submit that the Office Action has failed to establish the requisite factual foundation to support the Examiner’s assertion that Claims 43-49 are obvious. Those claims are patentably distinct for at least the same reasons as Claim 40.

Individually and in combination, Sampson, the “Wall Street Letter” article, Kirksey, and Aziz also do not disclose, teach, or suggest, “quantifying an aggregate net exposure across the identified market segment or segments,” wherein the “identified market segment or segments relate to specific industries” as recited in amended Claim 3. Individually and in combination, also do not disclose, teach, or suggest that the aggregate net exposure is quantified according to market data using a calculation of the median of multiple values as recited in amended Claim 4. For that reason alone, Claim 4 is patentably distinct from the prior art of record.

Individually and in combination, Sampson, the “Wall Street Letter” article, Kirksey, and Aziz do not disclose, teach, or suggest managing the leverage according to rules specific to conditions and requirements of a particular identified market segment as recited in previously amended Claim 15; that leverage is managed across market segments as recited in previously amended Claim 16; that the entity comprises a volume purchase group as recited in previously amended Claim 18; or managing leverage comprises monetizing unrealized positions from at least one of the identified market



segments to cross-fund positions in another market segment as recited in currently amended Claim 19.

With regard to Claim 19, the Office Action concedes monetizing unrealized positions from at least one of the identified market segments to cross-fund positions in another market segments is not explicitly disclosed in any of the cited references, but argues that it is well known in the trading industry. Even if true, that is not the same as establishing it is well-known to do so in managing leverage by quantifying an aggregate net exposure across an identified market segment or segments as recited in Claim 19.

With regard to Claim 22, the Office Action states that Sampson discloses “that there are many types of assets or products present for a given entity.” (Office Action at 8 (citing Sampson, col. 17, lines 37-62, col. 25, lines 45-65).) The system of Sampson discloses having an information field that identifies assets by type, but it does not disclose computing net exposure values separately for financial product groupings and accumulating product grouping totals according to a parent entity as recited in Claim 22.

With regard to Claim 23, the Examiner states in the Office Action that “accumulating market product segments forming a composite of exposure across market segments of claim 23 would have been obvious to a person of ordinary skill in the art in order to provide details of any given product or products.” (Office Action at 8.)

Applicants respectfully submit that the Examiner’s statement in the Office Action with regard to Claim 23 is merely an assertion that accumulating market product segments forming a composite of exposure across market segments as recited in previously

amended Claim 23 is desirable. It does not demonstrate that it was known. Applicants respectfully submit that the Office Action has failed to establish the requisite factual foundation to support the assertion that Claim 23 is obvious.

With regard to Claim 24, the Office Action states that Sampson discloses “monitoring exposure levels across market segments to determine if exposure remains within a predetermined tolerance and initiating communication for additional collateral resultant to the exposure exceeding the predetermined tolerance.” (Office Action at 9 (citing Sampson, col. 17, line 63 – col. 18, line 3; col. 11, lines 10-27).)

At Column 17, line 63 – Column 18, line 3, Sampson discloses using an information structure that “allows the customer to specify for each asset class (i.e., security type), or at a lower level specific security, (i) the order in which the customer wants the security used to cover credit exposure, all things being equal, and (ii) the securities can be overridden by the Agreement Preference Parameters the customer would like to hold onto.” Customers specifying the order in which they want asset classes or securities within asset classes to be used to cover credit exposure after exposure has already been determined is plainly not the same as monitoring exposure levels across market segments to determine if exposure remains within a predetermined tolerance as recited in previously amended Claim 24.

At Column 11, lines 10-27, Sampson discloses entering into the system disclosed in Sampson information about a customer’s assets. That is also plainly not the same as s

monitoring exposure levels across market segments to determine if exposure remains within a predetermined tolerance as recited in previously amended Claim 24.

With regard to Claims 25 and 26, the Office Action states those claims are rejected under similar rationale as Claim 1. (Office Action at 9-10.) Applicants respectfully submit that the cited references, which are discussed above, also do not disclose, teach, or suggest explicitly or implicitly identifying a market segment and quantifying an aggregate net exposure resulting from positions of an aggregate of at least two unrelated entities in the identified market segment, determining a value for collateral dedicated to offset the net exposure; valuing exposure for the market segment, wherein the market segment relates to a specific industry as recited in Claims 25 and 26. The Office Action's unsupported, conclusory statement that it would have been obvious to quantify an aggregate exposure resulting from positions of an aggregate of at least two unrelated entities to determine how much collateral that all counterparties would need to offset their exposure does not establish that Claims 25 and 26 are obvious. Claims 25 and 26 are patentably distinct from the cited art of record because that art does not teach, suggest, or disclose, implicitly or explicitly valuing exposure for a market segment as recited in Claim 25, wherein the market segment relates to a specific industry as recited in Claim 26.

Applicants respectfully submit that the combination of Sampson, the "Wall Street Letter" article, Kirksey, and Aziz do not anticipate or render obvious the subject matter of

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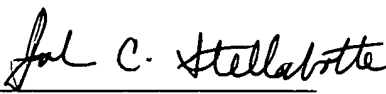
Claims 1, 3-4, 15-16, 18-19, 22-26, 31, 35-40, 43, 45-49, 51, and 52. Accordingly,  
Applicants respectfully request that the rejections of those claims be withdrawn.

**CONCLUSION**

In light of the foregoing amendments and remarks, Applicants believe that the application is in a proper format for allowance of all claims and earnestly solicit a notice to that effect.

Respectfully submitted,

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